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**CITY OF BLAINE, WASHINGTON**  
**RURAL ECONOMIC DEVELOPMENT REVOLVING LOAN BOARD**  
Approved May 12, 2020

**PURPOSE**

The purpose of these policies is to establish a program to offer loans at below-market interest rates to existing businesses to improve the economic resiliency of the City of Blaine (the “City”) in accordance with RCW 82.16.0491, and to further fundamental public purposes. The source of funds for this loan program was a contribution from the City of Blaine Electric Utility and a Public Utility tax credit authorized by EHSB2260 and enacted by Blaine City Council Ordinance No. 99-2430. The Blaine City Council approved Resolution 1810-20 on April 13, 2020, recommencing the Rural Economic Development (“RED”) Revolving Loan Board (the “Board”) for the purpose of economic resiliency in response to the COVID-19 pandemic.

**GOALS**

The goals of this program are to further fundamental public purposes which include the following:

- 1) Foster economic resiliency during the COVID-19 pandemic;
- 2) Maintain existing businesses that support the City’s economy;
- 3) Support the tax-generation capacity of businesses within the City; and,
- 4) To support employment retention and expansion in the City.

In addition, and specifically during the COVID-19 pandemic, the City’s citizens and businesses are experiencing significant impacts to their social, health and economic life. Supporting the local economy during the COVID-19 pandemic is critical to supporting the public health in the Blaine community. Achievement of the four goals set forth above are key purposes of the RED Loan Program in order to protect and promote the safety, health and welfare of the Blaine community.

**ELIGIBILITY**

All owners of businesses located within the City limits or whose business is a customer of City of Blaine Electric Utility, are eligible to submit a loan application for the following purposes:

- 1) Avoid bankruptcy;
- 2) Cover payroll;
- 3) Cover rent or loan payments;
- 4) Cover supplier invoices.

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## **RED REVOLVING LOAN FUND**

The funds will be issued as loans to eligible businesses at below market rates for the purpose of stimulating economic development and revitalizing the City's economy.

### **TERMS**

The following loan options and terms are made available to businesses that are approved by the RED Revolving Loan Board.

#### One Year Loan:

- Loan amount \$5,000 or \$10,000
- Zero percent
- Payments begin in 6 months (grace period)
- Must be repaid in 12 months from date of execution of loan agreement, amortized over 6 monthly payments.

#### 2 Year Loan:

- Loan amount of \$5,000 or \$10,000
- One percent
- Payments begin in 6 months (grace period)
- Must be repaid in 24 months from date of execution of loan agreement, amortized over 18 monthly payments.

#### 3 Year Loan:

- Loan amount of \$5,000 or \$10,000
- Two percent
- Payments begin in 6 months (grace period)
- Must be repaid in 36 months from date of execution of loan agreement, amortized over 30 monthly payments.

All types of loans shall include:

- \$100 fee shall be added to the total loan amount for application processing and loan administration.
- No pre-payment fees or penalties

### **DEFAULT**

The Board may seek enforceable actions in the case of default on the part of the borrower. Per the loan agreement, all costs associated with collection will be charged to the borrower. The Board shall consider hardship and alternatives to default prior to seeking enforceable actions and collection of costs.

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## **LOAN APPLICATION**

The loan application form shall be created by the Board in advance of any applications and shall be used consistently across all applications. The Board shall require the following documents for all loan applications, unless it is determined in writing with supporting justification that a particular item is not required.

- 1) Applicant's name, email, phone number and mailing address.
- 2) Contact information for all owners with a 20-percent or higher ownership.
- 3) A business plan which contains the following:
  - a. A statement of why the loan funds are needed and information on how the loan funds will be used to maintain the business and employee payroll, as applicable.
  - b. Monthly profit and loss statements and balance sheets over the last 12 months.
  - c. A projection of revenue and expenses, including the estimated loan payments showing how the business will repay the loan over the term of the loan.
- 4) The anticipated number of jobs created or saved as a result of receiving the RED loan.
- 5) The amount of tax revenue generated in 2019 and the estimated tax revenue in 2020.
- 6) Indicate whether the business would pay wages or benefits to workers during the government shutdown.
- 7) Provide a statement of whether temporary funding would avoid risks including bankruptcy or permanent closure.
- 8) Provide a statement that the RED loan application is submitted in good faith and that the applicant intends to repay the loan and maintain business operations while contributing to the economy of the local community.
- 9) Corporate resolution authorizing certain officers to borrow on behalf of the corporation, as needed.
- 10) A description of how the RED loan will meet one or more of the goals listed above with regard to providing a benefit to the public.
- 11) A description/proposal of how the public benefit will be verified.
- 12) Consent to inspection of financial records by the Board, City officials or representatives.

## **LOAN AGREEMENT**

In addition to a promissory note, disclosure statement, and security agreement in forms that are approved by the Board and the City Attorney, the borrower will be required to sign a loan agreement. The Board shall create a loan agreement form that is subject to approval by the City Attorney prior to any awards being granted which incorporates the following information. All forms approved by the Board and the City Attorney shall not be modified without approval of the Board and the City Attorney. The terms of the Loan Agreement shall include, at a minimum, the following:

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- 1) A description of the amounts and uses of RED funds;
  - 2) A description of the benefit to the public, including an Applicant's commitment to contribute to the local economy;
  - 3) A commitment to completing a survey from the City on the business viability and use of RED loan funds;
  - 4) Due and payable clauses for business sale or transfer of ownership;
  - 5) Causes and actions in cases of default;
  - 6) Repayment clause if the business moves from the community;
  - 7) Time of performance provision;
  - 8) Explanation of the borrower's reporting requirements;
  - 9) Names and addresses of all involved and obligated parties;
  - 10) Consent to inspection of financial records by the Board, City officials, or the City's representatives in order to verify (a) the need for the RED loan and (b) that the RED Loan was used to further the fundamental public purpose basis for issuance of the RED loan.
  - 11) Consent to allow free access to company premises to verify funds were used as described in the loan application with additional site visits to ensure assets are being maintained adequately.
  - 12) Consent to provide business financials to include most recent Profit and Loss statement and Balance sheet upon request to the Board, City officials, or the City's representative for the duration of the loan.
  - 13) Other information deemed necessary by the Board.

## **DISCLOSURE**

The City is a public agency. This means that the City, including the RED Revolving Loan Board ("Board"), is subject to the Public Records Act of the State of Washington, Chapter 42.56 of the Revised Code of Washington ("PRA"). Without limiting the obligations of the City or the Board, all members of the Board and applicants are reminded that all of the information received, used, and collected in relation to the RED Revolving Loan Fund and the activities of the Board are likely to be considered public records and, further, that the City may be required to disclose for inspection and copying the information unless there is an applicant exemption in the PRA that the City elects to assert. The City is not obligated to notify any individuals about public records requests. The terms, amounts and actual contracts between the Board, the City and the borrowers will be public record upon receipt or use, and should be expected to be provided upon requests received under the PRA.

## **REVIEW PROCESS**

The Board shall review each application for consistency with the loan application submittal requirements. If the Board determines the loan application incomplete, the applicant shall be notified and provided a list of missing information. The applicant shall have seven (7) calendar days to submit the missing information or the incomplete loan application shall automatically become null and void.

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Upon receiving a complete loan application, the Board shall make appropriate findings to determine viability of the loan as presented. As part of the loan review process, the Board shall make specific findings as to how the loan, if approved, furthers a fundamental public purpose. The Board reserves the right to inspect financial records and ask questions to clarify the loan application materials. The Board shall contact the loan applicant to execute a loan agreement for applications approved by the Board.

Loan Approval Criteria

The Board shall review each complete application and consider the material listed in the loan application. Approval of loans shall be based on demonstrable need as determined by the Board and how the loan will further a fundamental public purpose, all based on the completed loan applications. The Board shall set written standards or criteria for how it will determine applicants’ “demonstrable need” and apply the standard consistently across all applications. The determination of fundamental public purpose shall be based on this Policy and applicable policies adopted by the Blaine City Council. The Board shall consider the application based on the written criteria and ranking system established by the Board.

Ranking System

Each loan application shall be ranked up to 100 maximum points. Each board member shall assign values to each ranking category based upon their review. The final total number of points received shall be the average of each individual board member’s ranking. The Board shall use the following categories and maximum point totals when reviewing loan applications.

- a) 30 Points      The business plan as required in Section 3 of the Loan Application.
- b) 10 Points      The anticipated number of jobs created or saved as a result of receiving the RED loan.
- c) 5 Points        The amount of tax revenue generated in 2019 and the estimated tax revenue in 2020.
- d) 10 Points      Whether the business would pay wages or benefits to workers
- e) 10 Points      A statement of whether temporary funding would avoid risks including bankruptcy or permanent closure.
- f) 10 Points      A statement that the RED loan application is submitted in good faith and that the applicant intends to repay the loan and maintain business operations while contributing to the economy of the local community.
- g) 10 Points      A description of how the RED loan will provide a benefit to the public.
- h) 5 Points        A description/proposal of how the public benefit will be verified.
- i) 10 Points      Uniqueness of the business to Blaine’s economy and character.

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100 Points Total

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The highest-ranking applications shall be awarded. In the case of a tie in the ranking of applications, the application received first shall be prioritized so that the loans shall be made on a first come, first served basis. If the Board grants an award from the RED Fund to an applicant, the Board shall incorporate written findings into the Board's records and Loan Agreement stating how the grant furthers a fundamental public purpose. The Loan Agreement and Approval requirements shall provide reasonable measures for the Board or the City to verify the realization of the public benefits through the RED Loan."

## **REAPPLICATION**

Should an applicant be denied funding, they are encouraged to reapply in the future if the RED Loan application window is reopened. The RED Fund will be replenished as loans are repaid. No provisions for appeal to higher authority exist within this program.

## **REVOLVING LOANS AND PROGRAM SUNSET**

The revolving loan program is intended to operate for approximately one year with an established calendar and sunset date.

Provided the revolving fund has at least \$25,000 on deposit on the Friday prior to the announcement date, a loan application window will be announced. Should fewer funds be available at the cutoff Friday, a loan application window shall be cancelled. Funding shall be reevaluated prior to each announcement date.

Announcement dates:

- May 14, 2020
- December 31, 2020
- March 31, 2021
- June 30, 2021

A loan application window shall open four weeks from the announcement date, provided available funding is confirmed. The only exception shall be the first loan application window, which shall open as soon as possible following the May 14, 2020 announcement date. Once opened, the loan application windows shall run for three weeks.

The RED Loan Program shall sunset following the last loan application window, which is anticipated to occur August 25, 2021.

The Board will reconvene following the sunset date and reconsider the goals and policy of the RED Loan Program, including the effectiveness and continuation of the program. The Board shall make a recommendation for City Council's consideration regarding the future direction and policy of the RED Loan Program and Board.

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## **BOARD MEMBERS**

The Board will be composed of members from the following groups or as determined by the City Council:

- 1) City Council
- 2) Chamber of Commerce Board
- 3) Local business owner

## **FUNDING**

The RED Fund has an estimated amount of \$100,000 in funds as of May 1, 2020.